



# Best Practice im Kunden-Screening

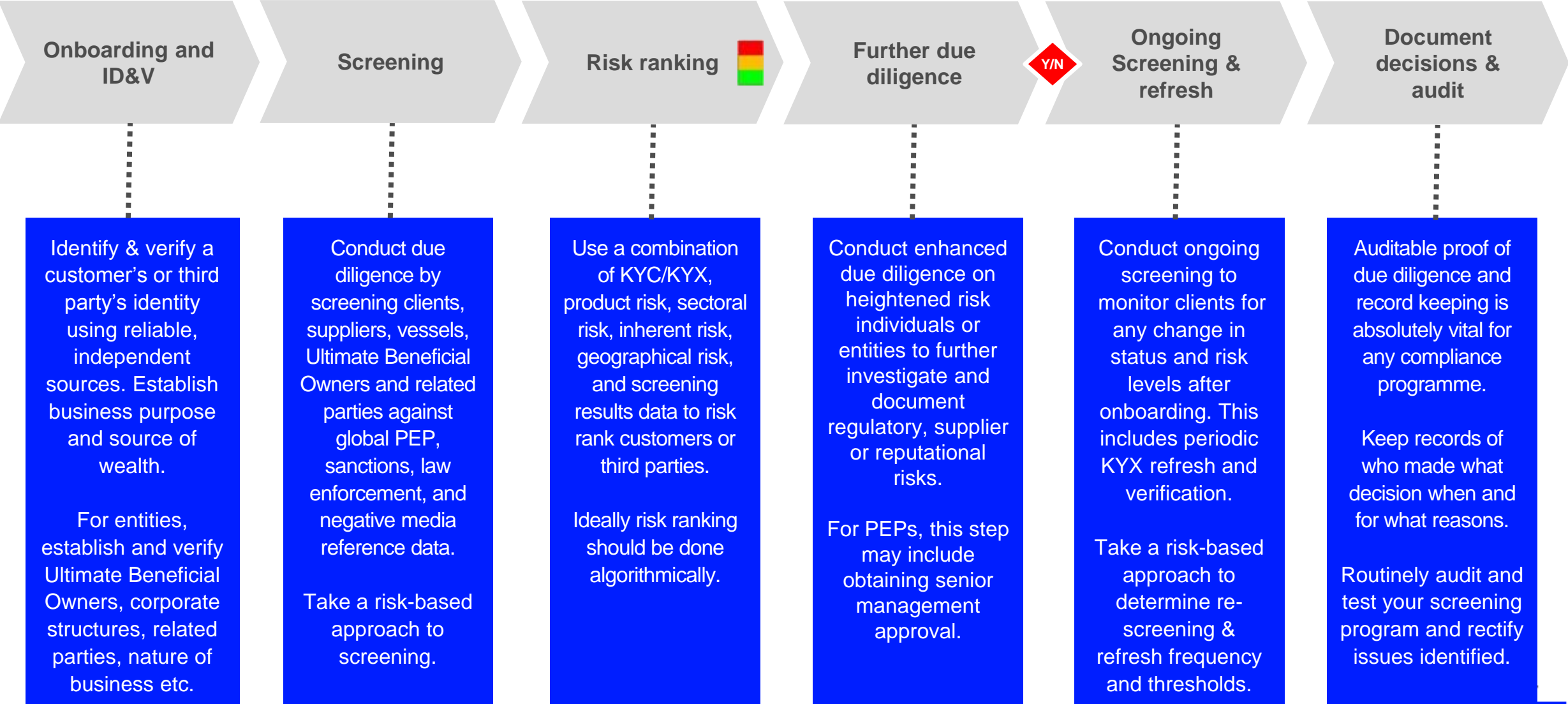
Wie mit Daten, Software und Services die Prozesseffizienz optimiert werden kann

**REFINITIV**<sup>™</sup>

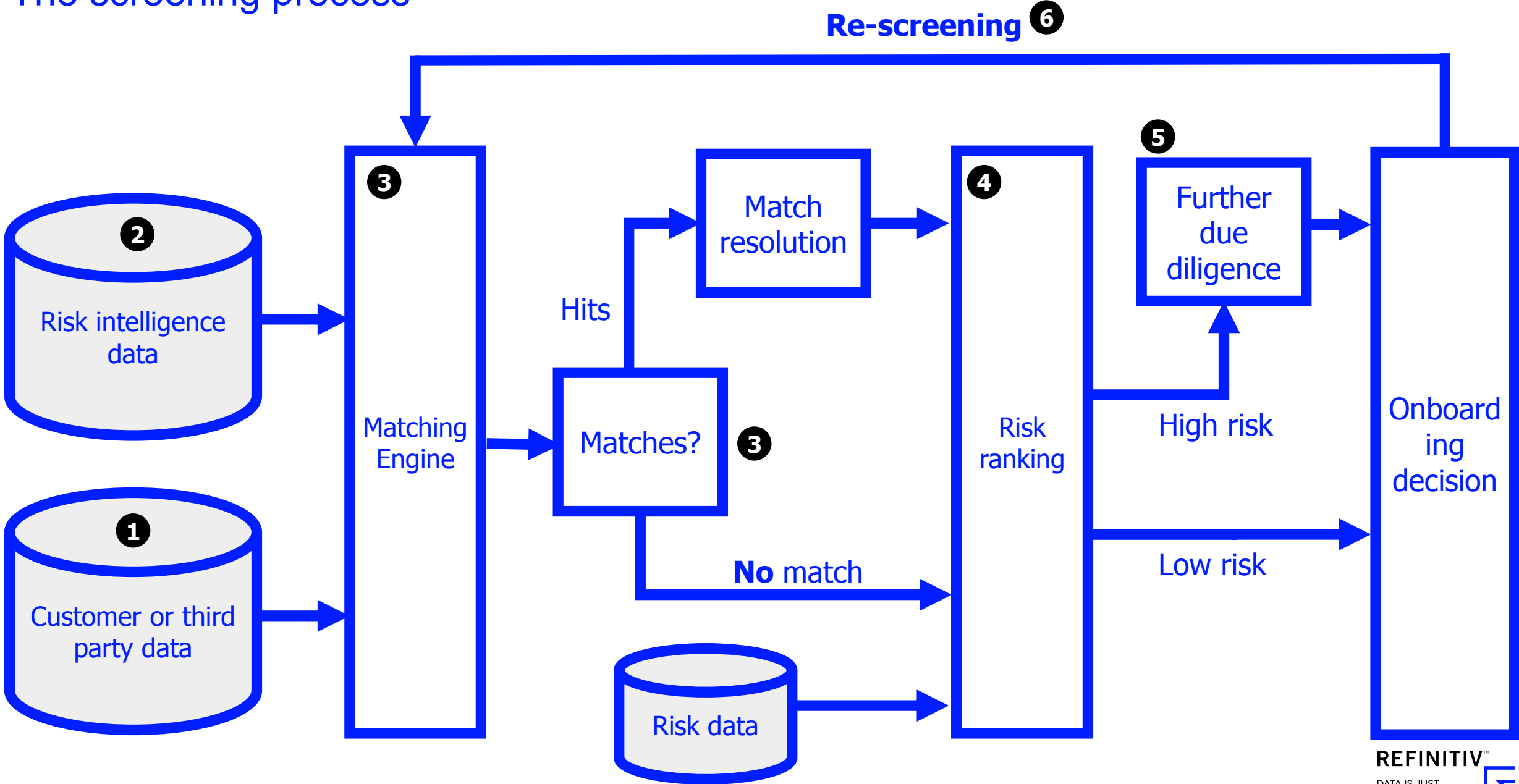
DATA IS JUST  
THE BEGINNING



# A Risk-Based Approach to Managing Customer & Third Party Risk



# The screening process



# A risk-based approach to screening

## Key decision points – Part I

### 1 What do you screen?

- Customer names (individual/entity)
- Suppliers & 4<sup>th</sup> parties
- Agents and intermediaries
- Employees
- Related parties
  - Officers & Directors
  - Trustees and beneficiaries
  - UBOs, parent & related companies
- Transactions or payments
- Lists of goods (dual-use goods and export restrictions)
- Reference data (e.g. ISINs)
- Beneficiaries of CSR programs

### 2 Against what reference data?

- Determine what sanctions regimes you need to comply with, and select appropriate keywords (World-Check). May vary by jurisdiction.
- Create an institutional PEP definition informed by **both** your regulatory requirements and risks
- Determine for how long after a PEP has left office you will treat them as such (may vary by level)
- Decide when and under what circumstances you screen adverse media and watchlist content

### 3 Matching engine configuration and resolution framework

- Determine what trade-off between Type I (false negative) and Type II (false positive) errors is compatible with your risk appetite
- Decide how fuzzy or exact will you set your matching
- Formulate match auto-resolution criteria to focus teams on probable matches
- Create a match investigation framework, with rules for when a match will be regarded as false and when it will be confirmed as true
- Conduct regular testing and tuning

# A risk-based approach to screening

## Key decision points – Part II

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### Risk ranking

- Create a methodology for assessing risk, based on your compliance goals and exposures
- Determine your inherent risk for sanctions, ABAC/ABC, and AML/CFT (if applicable)
- Use a combination of inherent risk, product risk, sector risk, geographic risk and KYX data to risk rank each customer, supplier or related party
- Follow the Pareto principle

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### Enhanced due diligence

- Decide under what conditions you will conduct further investigative due diligence
- Create a methodology for EDD, including what further ID&V, screening or other information you will collect
- Formalise a case management and decision-making forum for on- and off-boarding decisions
- Determine what tools you will use for EDD

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### When and how often?

- Real-time or T+x?
- Initial only, periodic or ongoing screening?
- Decide under what conditions you will re-screen a name
  - What KYX changes are sufficiently material for productive re-screening?
  - What reference data is sufficiently material for productive re-screening?

# Challenges

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- **Regulatory Compliance**
  - How to remain compliant with applicable regulations while increasing efficiency?
  - Process optimization must be transparent and explicable to regulators and auditors
- **Identifying levers to increase efficiency without losing control or compromising the process**
  - Data quality and data extensions
  - Matching engines
  - Reduce False Negatives
  - Reduce False Positives

# How extended datasets can help

## PEP Expiration

### For how long after leaving office is a PEP a PEP?

- According to the 4MLD it's 12 months after leaving office. Other countries have varying expiration dates. Some countries take the view of once a PEP always a PEP.

Existing PEP  
Sub-category field

Existing PEP  
Position field

#### PEP Status = Active | Inactive

Calculated value based on the overall positions and statuses OR status of connected Primary PEPs (incase of Relatives/Close Associates)

PEP ROLE	PEP ROLE LEVEL	PEP POSITION	PEP BIOGRAPHY	CURRENT/ FORMER	TERM START DATE	TERM END DATE
State presidential Candidate	PEP N	Candidate	Democratic Party candidate for US President in 2016 general election	Current	Jul 2009	
Secretary of State	PEP N	Secretary of State	US Secretary of State	Current	Jan 2009	
Government Official	PEP N	Government Official	Member of US National Security Council	Former	Jan 2009	Feb 2013
Senior Official – SOE	PEP N	Senior Official – SOE	Member of the Board of Directors for The Broadcasting Board of Governors	Former	2009	2013
Federal Senator	PEP N	Member of Legislature	Federal senator for the State of New York	Former	Unknown	Unknown

# How extended datasets can help

## PEP Expiration

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### Database Features

- 1.8m PEPs in database, about 35% have left office/inactive → 630k
- Average retention period of PEPs in database after leaving office: 10 years

### Assumptions

- Cost of resolving a match is estimated at 5EUR
- AMLD → PEPs to be considered PEPs at least 12 months after leaving office
- Customer with 500k client base
- Match Rate: 2%

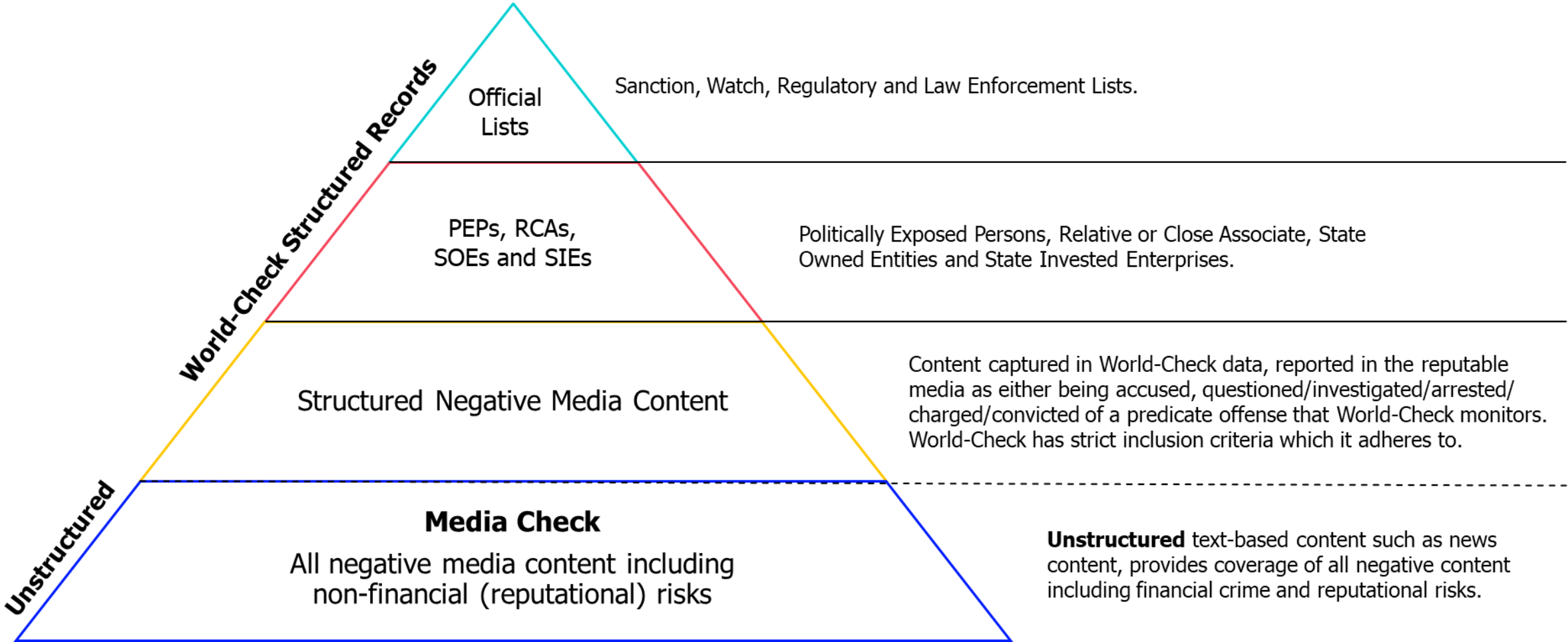
### Example

- Matches without PEP Expiration:  $500k \times 2\% = 10,000$
- PEP reduction, when only taking less than 12 months after leaving office into account:  $630k \times 0.9 = 567k \rightarrow 32\%$
- Matches with PEP Expiration:  $10,000 - 32\% = 6,800$ ; reduction 3,200
- Cost savings:  $3,200 \times 5EUR = 16,000$



# How AI can help

## Media Check



# How AI can help

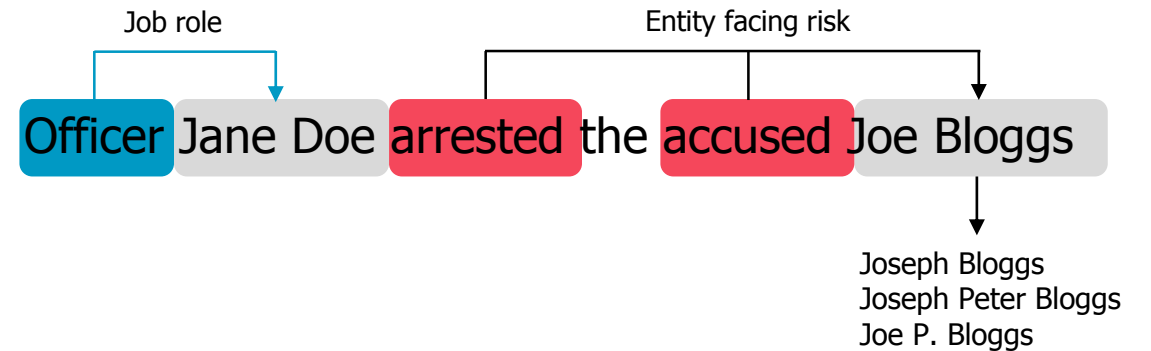
## Media Check

- Traditional aggregator/  
Web search engine approach

Officer Jane Doe arrested the accused Joe Bloggs

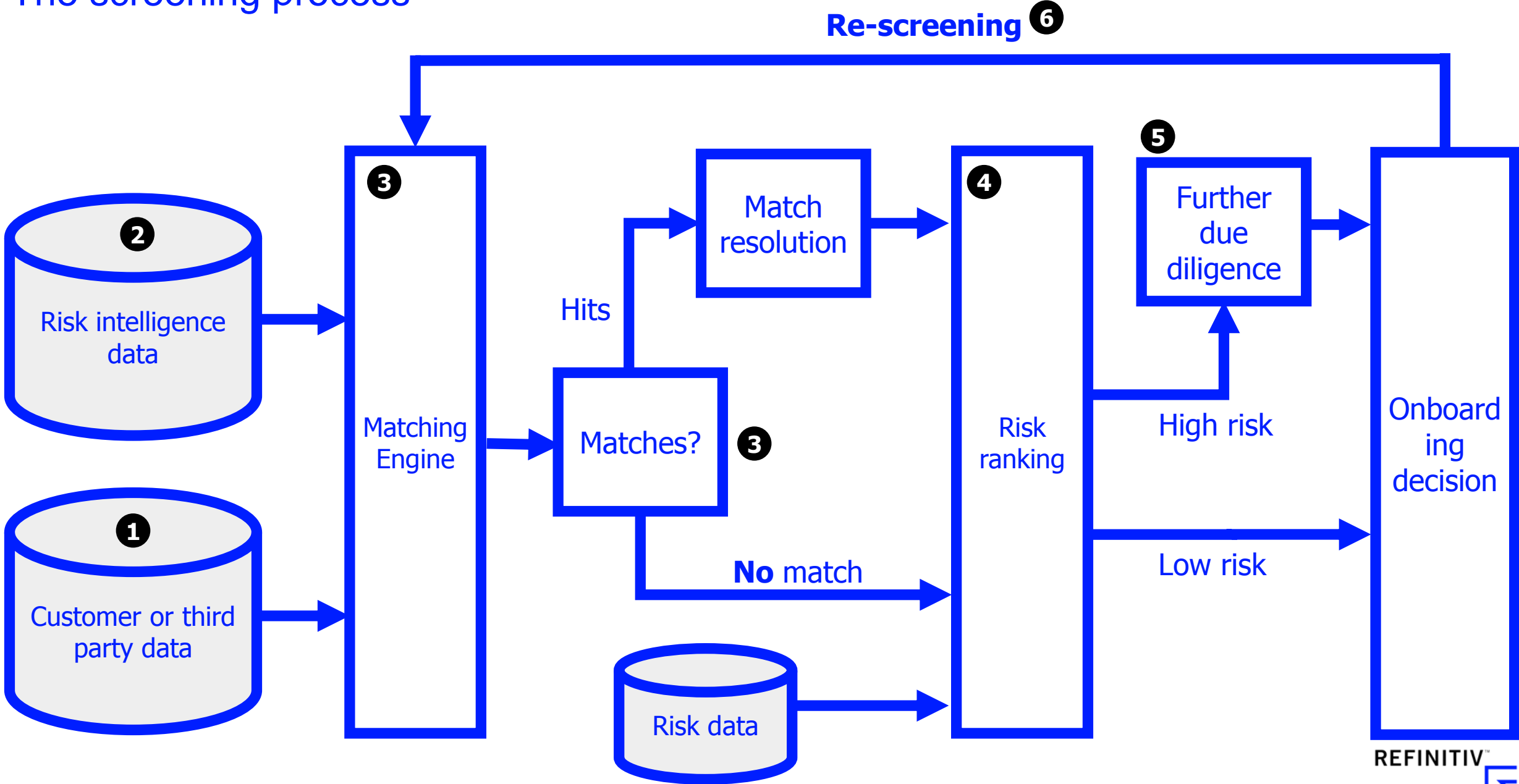
In this example, both Jane Doe and Joe Bloggs would be marked as possible matches due to their name appearing near negative keywords. Any article referring to "Joseph Bloggs" would be missed.

- Our unique approach



By using artificial intelligence, we can provide intelligent "name matching" and surface articles where an entity is more likely facing a risk. In this case, "Joe Bloggs" is the entity facing a risk.

# The screening process



# More than just “Google” – EDD research standards

## Subject name

- Translation
- Transliteration
- Transposition
- Former names
- Trade names
- Acronyms
- Aliases

## Data sources

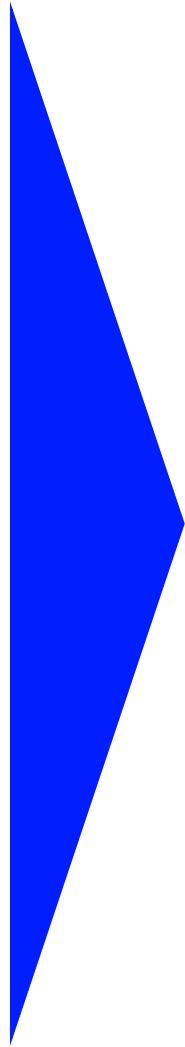
- News aggregators (subscription, fee, different search systems)
- thousands of litigation courts datasets
- open source research knowledge and experience (search algorithms, different syntaxes, automation tools )
- Local language
- World-Check Risk Intelligence

## Human intelligence

- Regional expertise
- Sectorial expertise
- Qualification & experience
- Ethical and trusted approach
- Cost effectiveness

## Process & Quality

- Automated search tool
- Case management system
- Supporting teams in knowledge, training, content, vendor management, sources access, internal audit, security
- Multi-layered quality assurance



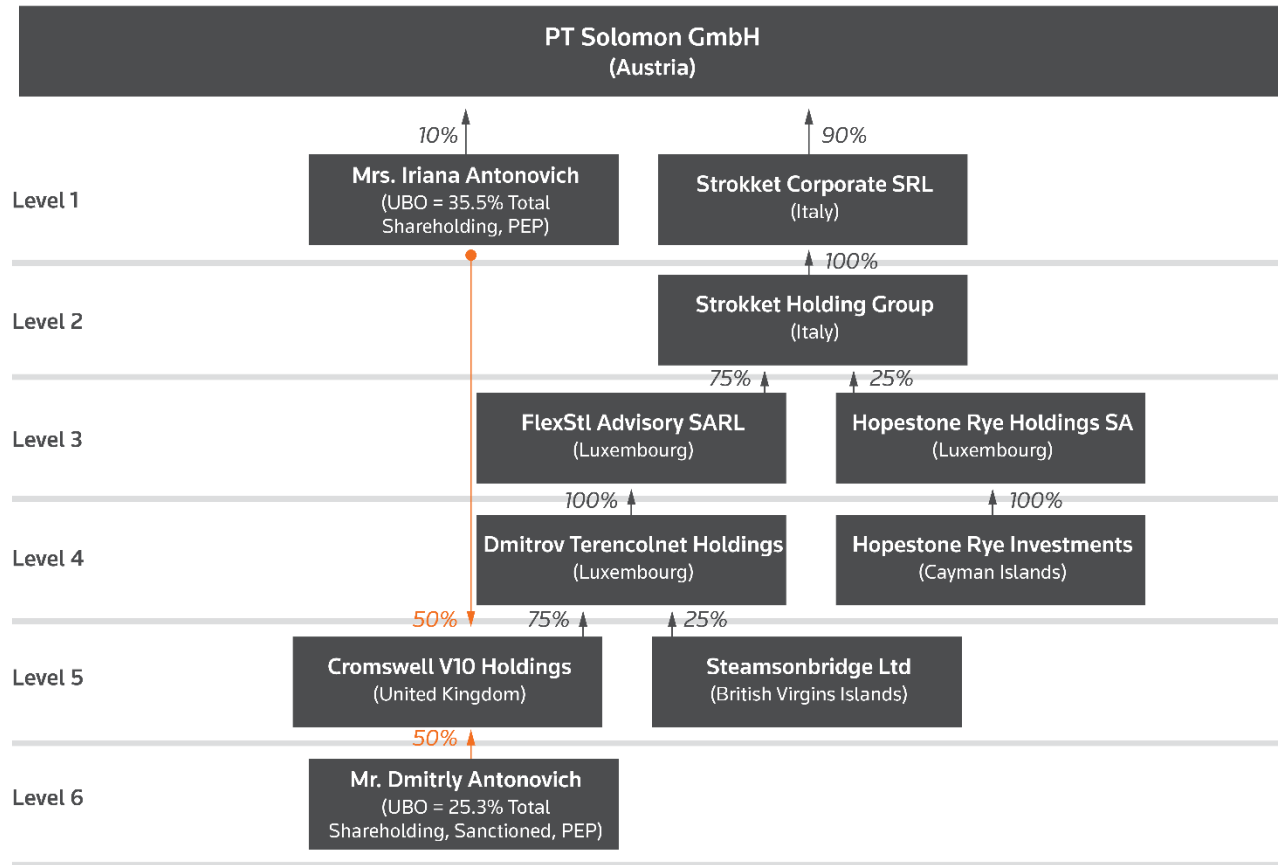
## Client Alternative

- Conduct in house
- One click away – Order from Refinitiv

# Ultimate beneficial ownership

Identifying the ultimate beneficial owner (UBO): The challenge of finding the needle in the haystack

Figure 1

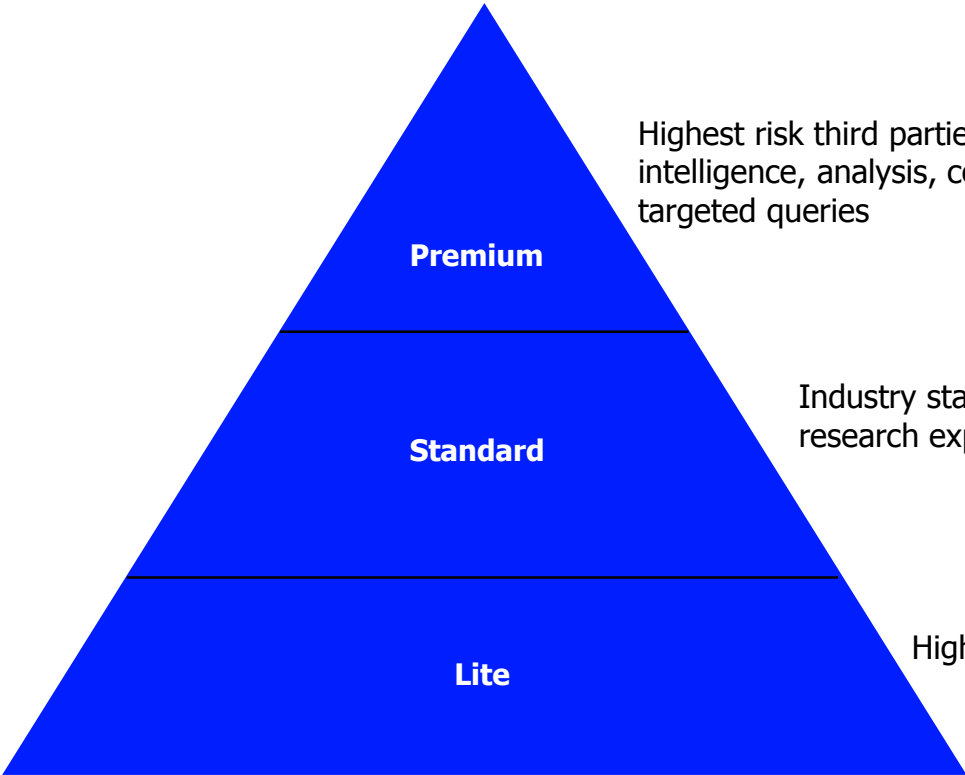


- Importance of identifying the UBO
- Who owns/controls the assets?
- FATF guidelines updated in 2012
- The fourth and fifth EU anti-money laundering directive

# Research complexity

## Levels of risk across jurisdictions

- Customised format, customised content option, regulation specific i.e. FCPA, UKBA, UBO
- Cutting edge security & data management
- Consistent quality assurance & audit proof
- Global reach, cost effective, World-Check Risk Intelligence



Highest risk third parties, non transparent location, human intelligence, analysis, comprehensive cross-jurisdictional research, targeted queries

Industry standard, comprehensive coverage of public domain, research expertise, local language, thousands of sources

High volume, low complexity, automation, audit